

Important Information for Uniform Financial Report (UFR) Filers Regarding the Implementation of Chapter 257 of the Acts of 2008

Chapter 257 of the Acts of 2008 was signed into law in August 2008 and places authority for determination of Purchase of Service (POS) reimbursement rates with the Secretary of Health and Human Services (EOHHS). The Division of Health Care Finance and Policy (DHCFP) is charged with the responsibility for rate determination and regulation. DHCFP will complete the determination of rates for all human services affected by Chapter 257 governance by October of State Fiscal Year 2013.

The UFR, while not the sole resource for information to be considered, plays a key role in the Division's rate determination process. Particular emphasis is placed on the UFR Program Supplemental Information Schedule B (Schedule B), which represents costs directly associated with individual program operations. For the purpose of the UFR, the term "program" is defined as "...an integrated and coordinated delivery of a mix of services or a service and resources assigned and shared by clients to assist the clients in achieving a common objective, alleviate a common problem or meet a common need...". Schedule B establishes a starting point for cost analysis of program services. As such, the accuracy and completeness of all information requested on these schedules is of paramount importance.

Below are areas of particular focus for ensuring accuracy and completeness:

Unique "Program" UFR Schedule B Reporting Guidance

Programs Supported by a Single or Multiple Cost Reimbursement Contracts

Providers must prepare a separate Schedule B, representing a single UFR program with its own UFR program number, for each cost reimbursement contract. A Schedule B may never be supported by funding derived from multiple cost reimbursement contracts. Providers must use the same program number utilized in the "Attachment # 3" Program Budget of the Contractor's contract with the Commonwealth to report the corresponding financial and program activity in all of the UFR Schedules.

Programs Supported by Multiple Payment Method Type Categories

In the vast majority of cases, providers of programs with multiple payment method categories must prepare one Schedule B for any cost reimbursement activity, and a separate Schedule B for all other categories through the use of a split UFR program number (ex. 1-1 and 1-2). Additional payment method categories include:

- Negotiated unit rate (code 23)
- Negotiated accommodations rate (code 24)
- Non-negotiated accommodations rate (code 25)
- Other non-negotiated unit rate (code 26) cost categories.

In limited situations, with prior approval from OSD and the Commonwealth purchasing department, a contract may be supported with funding derived from a combination of a negotiated unit rate payments and cost reimbursement payments. In these instances, rather than filing a separate Schedule B for the cost reimbursement activity, programs that have received prior approval from OSD and the Commonwealth purchasing department to be supported by a combination of a negotiated unit rate payments and cost reimbursement payments may disclose negotiated unit rate activity and cost reimbursement activity as separate revenue and cost centers in

the UFR program by using a split UFR program number (ex. program 1-1 and 1-2 or 1-a and 1-b). Failure to utilize the same program number assigned to the program budget in the UFR is considered to be a UFR filing deficiency unless there are extenuating circumstances.

UFR Program Number for Programs with Multiple Contracts

Frequently, several Commonwealth and private purchasers will acquire the services of a single program that has been originally negotiated by a single Commonwealth department. In this situation, each contract may have different maximum obligations, but all contracts will utilize the same program budget and will have identical unit rates. Each program budget that has multiple contracts associated with it is assigned a UFR program number by the Contractor and Commonwealth department that initially negotiated the program. The UFR program number appears on the service contract cover page and the program budget.

Reporting Requirements

Negotiated Unit Rates

Providers should only report contract costs for a negotiated unit rate contract when the program budget document clearly indicates that funding derived from the following sources covers 100% of the total program capacity costs:

- A single Commonwealth purchasing department
- Budget offsets
- Private purchasers

Non-Negotiated Unit Rate

Providers delivering services for which the Division of Health Care Finance and Policy has set one or more non-negotiated rates should refer to the Division of Health Care Finance and Policy (DHCFP) Special Instructions at the beginning the UFR Audit & Preparation Manual for additional filing requirements. These are primarily services purchased by MassHealth but may also be purchased by other EOHHS departments.

Single MMARS Codes for Broad Program Categories

At times, a single MMARS program code may be assigned to broad program categories- such as all residential services or all mental health services. Providers must distinguish and report the costs associated with these broad program categories as individually purchased and priced programs that have separate program numbers and rates assigned to their respective service contracts. Separating out the broad categories into individually reported programs helps to highlight the different mix of services that may be required to accommodate client needs in different regions of the Commonwealth.

Reporting Revenues

Revenue Received to Defray Pass-through Expenses

Pass-through expenses include certain expenses the amounts of which are not under the discretion of the provider. Typically the purchasing governmental unit or some other authority dictates this amount. Providers must report revenue received for pass-through expenses associated with the provision of direct client care from individual caregivers such as family day-care contractors or foster families on line 37R, Mass Government Client Stipends.

Providers must report revenue intended to defray all other pass-through expenses on the appropriate revenue line based on the funding source—i.e. line 31R, Mass Local Government and Quasi-Government Entities, or line 32R, Non-Mass State and Local Government.

Offsets to Commonwealth and Federal Expense

By the terms of state contracts and OMB Circular A-110, certain revenues, when received for a Commonwealth supported program, must be reported as offsets to Commonwealth and federal costs as follows:

- **Cash or in-kind assistance from service recipients** to defray the cost of program care and services (i.e SSI, cash assistance (CA), food stamps, fixed or sliding fees, room and board payments), regardless of the type of client or sponsor: Line 38R, Client Resources.
- **Third-party payments (aside from Medicaid or MBHP) made on behalf of service recipients by Commonwealth purchasing departments, cities, towns, or other governmental entities** located within the Commonwealth of Massachusetts Offsets include sliding fees for service (not sliding fee room and board payments) and other supports such as nutritional supports: Line 39R, Mass. Spon. Client SF/3rd Party Offsets.
- **Revenue received in relation to clients publicly sponsored by states, cities, towns, or other governmental entities located outside of the Commonwealth of Massachusetts:** Line 40R, Other Publicly sponsored client offsets.
(Offsets include sliding fees for service (not sliding fee room and board payments) and other supports such as nutritional supports.)
- **Revenue received directly from clients, parents or guardians as payment(s) for services rendered to clients not sponsored by any governmental entity** (does not include Medicaid or fixed or sliding fees, room and board payments or payments from any third party such as insurance companies): Line 41R, Private Client Fees.
- **Third-party payments (not Medicaid) made on behalf of service recipients not publicly sponsored by any state, city, town, or other governmental entity:** Line 42R, Private Client 3rd Party/ other offsets.
(Offsets include sliding fees for service (not sliding fee room and board payments) and other supports such as nutritional supports.)

Other Revenue

Providers must report any significant revenue amounts in lines 1-37R as appropriate. Providers should report any remaining revenue amounts on line 48R, Other Revenue.

Reporting Staffing

In many instances, management of a social service program will include program directors and program managers. Providers must accurately distribute FTEs for management staff that performs direct care and/or other program functions between the Management lines (typically Schedule B Lines 1S-4S) and other direct staff lines. For example, a Licensed Social Worker (Line 23S) who is a Program Function Manager (Line 2S) 30% of the time would be reported as 0.3 FTE on Line 2S and 0.7 FTE on Line 23S.

Reporting Costs

Pass through Expenses

Pass-through expenses include those types of expenses the amounts of which are not under the discretion of the provider. Typically the purchasing governmental unit or some other authority dictates these amounts; such is the case with foster care payments. They may also exist within activities that are integral to the program but not supported with contract funds, such as commercial endeavors related to a sheltered workshop. Providers must report pass-through expenses for which they have received pass-through revenue as follows:

- **Per diem reimbursement to independent individual care givers** (not provider agency employees), such as family day care providers, specialized home care providers or foster families, to compensate them for their personal services and/or to defray all or a portion of the costs associated with client care in their homes: Line 20 E Client and Caregivers Reimbursement/Stipend (203).
- **Cash paid to program clients** as an incentive for program participation, as part of instruction in money management, to give clients a measure of economic independence, to acquire personal items, or for other program purposes. This category includes "indirect" client wages (i.e. "wages" which are not related to the economic value of the client's work product/productivity): Line 29E, Client Personal Allowances (211).
- **Resources, other than those defined above, associated with provision of material goods or services** - such as prosthetic and adaptive devices, nutrition or day care vouchers - to eligible program clients/recipients: Line 30E, Provision of Material Goods, Services and Benefits (212).
- **Resources, other than those defined above, associated with the use of client labor in the production or assembly of a product or service as a part of the client's program of vocational training/rehabilitation or sheltered employment:** Examples include consumer wages, benefits and taxes, raw materials, production equipment and consumables, freight and transportation, and marketing: Line 31E, Direct Client Wages (214).

Other Key Fields

Providers must also report the following fields consistent with the descriptions detailed in the UFR filing instructions. Failure to complete these fields on the UFR is considered to be a UFR filing deficiency:

Header Fields

- Number of weeks operated during audit period
- Number of operating hours in a week

Expenses

- "Other Expenses" should not include significant costs that can be distributed to other appropriate cost fields.

Service Statistics

- Defined unit of service
- Total unit capacity
- Number of unduplicated clients
- Number of service units delivered

Contracts

- Department
- Contract ID
- Current MMARS Code